DOCUMENT RESUME

ED 326 933 EA 022 457

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TITLE Critical Questions about Financing Schools in Kansas.
INSTITUTION University Council for Educational Administration, Manhattan, KS. Center for Education Finance.
PUB DATE 6 Sep 90
NOTE 48p.; Presentation before the Special Committee on School Finance of the Kansas State Legislature (Topeka, KS, September 6, 1990). Cover title: Eight Critical Questions regarding School Finance in Kansas.
PUB TYPE Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Educational Equity (Finance); Educational Finance; Elementary Secondary Education; *Finance Reform; Fiscal Capacity; Full State Funding; School District Spending; State Aid; Taxes
IDENTIFIERS *Kansas

ABSTRACT

Eight critical issues relevant to Kansas school finance are discussed in this report; issues include recent school finance litigation, assessment of the School District Equalization Act (SDEA), recommendations for improving the SDEA, validity of the power equalization models, measures of local district funding ability, mechanisms used by other states, plans for compression of tax rates used by other states, and recommendations for future action. A recommendation is made for the development of a fully funded foundation with local power options within the state ratio, tied to a price index. Thirteen tables and one figure are included. (LMI)

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Eight Critical Questions Regarding School Finance in Kansas

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Presented to the
Special Committee on School Finance
Kansas Statehouse

September 6, 1990

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CRITICAL QUESTIONS ABOUT FINANCING SCHOOLS IN KANSAS

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Special Committee on School Finance
Kansas Statehouse
September 6, 1990

CRITICAL QUESTIONS ABOUT FINANCING SCHOOLS IN KANSAS

QUESTION #1

What new insights related to recent school finance litigation would be instructive to the Special Committee on School Finance?

QUESTION #2

What is right and what is wrong with the SDEA?

QUESTION #3

If the formula is fundamentally flawed, how should it be fixed?

QUESTION #4

Does the power equalization approach still have validity or is there some newer or better model that should be considered?

QUESTION #5

Assuming that a school finance plan will take into consideration some measure of local ability to fund schools, what are the options in terms of appropriate measures of such local ability?

QUESTION #6

What mechanisms do other states use in responding to legitimate variations in costs among school districts, such as weightings of pupils on various factors, use of enrollment categories, or other specific categories of districts?

QUESTION #7

Are there states that have school finance plans designed to specifically compress local property tax levies into some narrow band of variation?

QUESTION #8

What should be done?

QUESTION #1

WHAT NEW INSIGHTS RELATED TO RECENT SCHOOL FINANCE LITIGATION WOULD BE INSTRUCTIVE TO THE SPECIAL COMMITTEE ON SCHOOL FINANCE?

* Litigation is responsible for how we finance schools as more than 100 lawsuits in the last forty years have changed systems of funding.

* Litigation has become the preferred mode of change--a strategy which has increased in the last two decades, with recent signs of escalation in the past few months.

* Three specific issues are important to this Committee:
    * The thrusts of federal and state litigation.
    * How the thrusts relate to success or failure.
    * What litigation will look like in the future because such information can help us see how challenges to school finance in Kansas are presently evolving.

THE THRUSTS

* Litigation has intended to provide equal educational opportunity for every child.
* Litigation has focused on common and unique conditions in both federal and state courts.
* Litigation has sought a fundamental right to education.
* Litigation has sought relief under the equal protection guarantees of federal and state constitutions.

THESE STRATEGIES, JOINTLY AND INDIVIDUALLY, HAVE SOUGHT TO PLACE EDUCATION AT THE PINNACLE OF THE HUMAN RIGHTS STRUCTURE, MAKING IT EXCEPTIONALLY DIFFICULT FOR STATES UNDER STRICT SCRUTINY TO PROVE THAT EXISTING FINANCE SCHEMES HELD A COMPELLING INTEREST.

IMPETUS

> *...[E]ducation is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education demonstrate our recognition of the importance of education to our democratic society...It is the very foundation of good citizenship...In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity where the state has undertaken to provide it, is a right which must be made available to all on equal terms.* Brown v. Board of Education (1954).

THE GOAL

* As reformers have argued the case, if this mandate were to be fully applied to education, education would be placed among the constitutionally protected rights, which would in turn require that equal resources must be available to all.

* Yet despite those words, courts and legislatures have demonstrated uncertainty over whether equal opportunity includes how schools are financed.

THE OUTCOME

* Despite the apparent mandate, this scenario has not emerged.

* The net result has been that most courts have yet to affirm that equity and opportunity in education are more than vague ideals, except as they narrowly apply to issues of racial discrimination.

* At the federal and state levels, many reformers believe that a federal case is useless and that a state case is dependent on the whims of unpredictable state courts.

* But there is reason to believe that successful litigation strategies exist, and Kansans should be aware of new litigation independent of classic arguments is emerging and may appear in this state.

THE FEDERAL CASE

* Federal suits have attempted to establish the conditions of fundamentality, equal opportunity, and equal protection.

* The federal case is said to be foreclosed:

    * In San Antonio Independent School District v. Rodriguez (1973), the U.S. Supreme Court ruled that the solution to disparities must be found in the political process.

    * Rodriguez denied a fundamental right to education, refused equal protection, rejected extension of equal opportunity, and turned finance litigation away from federal courts.

* Conclusions about the federal case were too quickly reached. In Rodriguez and in subsequent cases, there have been inconsistencies suggesting that the federal posture is not unassailable because a federally protected status for education is unresolved.

* In Papasan v. Allain (1986) the Court agreed that fiscal discrimination among school districts absent a legitimate state interest would not be approved.

* In Livingston v. Louisiana State Board of Elementary and Secondary Education (1987), the issues were not brought.

* In Plyler v. Doe (1982), the Supreme Court returned to the language of Brown as it ruled:

Education provides the basic tools by which individuals might lead economically productive lives to the benefit of us all. In sum, education has a fundamental role in maintaining the fabric of our society. We cannot ignore the significant social costs borne by our Nation when select groups are denied the means to absorb the values and skills on which our social order rests.

* Likewise, in Kadrmas v. Dickinson Public Schools (1988), the Court emphasized the unsettled nature of education as it noted that the issue of fundamentality has been unsettled since the time of Rodriguez, which itself had cautioned that some right to education might exist.

* These federal issues are important to states a federal ruling will be imposed on the states.

* They are further important because they suggest a successful federal litigation strategy with direct bearing on states.

* As Brown, Plyler, and desegregation lawsuits show, race is a successful strategy.

* They show how federal protection might be gained because the Court is amenable to arguments of race and educational deprivation.

* As Plyler and others have triggered protections and the implication of a fundamental interest, a successful case will require deprivation to be defined as less than absolute.

* State legislatures themselves appear to be initiating this outcome as they mandate functional competencies--they may create the conditions under which social and economic deprivation will be redefined.

* The federal case in Rodriguez stands alone, not fully deserving of its impact, and insecure by its own admission. For states, Rodriguez' adherence to local control as justification is weakened by states themselves as they move toward mandated educational outcomes.

THE STATE CASE

* The state reform movement is marked by Serrano v. Priest (1971) as the California Supreme Court found:
    * A fundamental right
    * Violations of federal and state equal protection clauses
    * Wealth and residence unacceptably related
    * Showed that states may grant greater protections.

* The other remarkable case was decided thirteen days later in Robinson v. Cahill.
    * The New Jersey Supreme Court ruled that a system of unequal tax revenues could not meet the requirement of a thorough and efficient system of schools.
    * No fundamental right was found, but the Court still invoked strict scrutiny and added a uniform and rational system to successful litigation strategies.

* The overall outcome of litigation has not followed these cases.
    * A fundamental right to education has been largely rejected
    * Equal opportunity has remained incompletely defined
    * Equal protection has prevailed in only a few instances
    * The only guarantees have been that litigation may not anticipate more than the lowest level of judicial scrutiny (rational review) and that new litigation strategies must be developed.
    * Litigation on idealism and moral outrage is doomed.

* ***There are cracks in state litigation armor heralding change.***
    * The major shift in litigation strategy is a move away from idealistic strict scrutiny, fundamentality, and equal protection to a preference for rational review.
    * Litigants are reducing their dependence on difficult standards and moving to close interpretations of education articles.

ROSE v. COUNCIL FOR BETTER EDUCATION

* On June 8, 1989 the Kentucky Supreme Court ruled that the state had failed to meet the constitutional mandate for an efficient system of schools.

* The plaintiffs' net sum argument rested in the following: *"[T]he system is inadequate, inequitable, and unequal so as to be inefficient under the Kentucky Constitution and the Fourteenth Amendment."*

* Citing Brown as its polestar, the court concluded:

  The overall effect of...evidence is a virtual concession that Kentucky's system of common schools is underfunded and inadequate; is fraught with inequalities and inequities...and is not uniform among the districts in educational opportunities.

* The court defined competencies which children should achieve and exhaustively defined an efficient system of schools.

  * Schools are the responsibility of the state;
  * Schools shall be substantially uniform;
  * Educational opportunities shall be equally available regardless of residence or economics;
  * Funding shall be sufficient to provide every child with the competencies mandated.

* The court extended equal protection and declared education a fundamental right. In sum, a suit which sought only to require a rational relationship of the formula to educational outcomes succeeded in establishing the difficult and coveted issues of classic reform and further mandated the competencies children will achieve.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT v. KIRBY

* On October 2, 1989 Texas Supreme Court ruled in a case which charged that the Texas system violated the state equal rights guarantee, its due process of law guarantee, and its efficiency mandate.

* The court concluded that property-poor districts were trapped in a cycle from which there was no opportunity to free themselves, and that because of their lower tax bases must tax at a higher rate while offering inferior educational programs.

* The court went on to say that money has a significant impact on educational outcomes and meticulously picked words from the education article to make its point:

  This [education] is not a duty committed unconditionally to the legislature's discretion, but is instead accompanied by standards. By express constitutional mandate, the legislature must make "suitable" provision for an "efficient" system for the "essential" purpose of a "general diffusion of knowledge."

* The result rendered the finance scheme unconstitutional on the basis of efficiency under the rational basis test. It effectively ruled that the rational standard of review may be used to overturn systems exhibiting a lack of rational purpose to the aims of equal opportunity.

* Litigants in Kentucky and Texas have found that a rational basis may be the preferred litigation strategy because it may spark strict scrutiny or result in the same outcome.

* State litigation has an impact on Kansas because mandatory language may be present in our equal protection provisions and education articles:

The legislature shall make suitable provisions for the finance of the educational interests of the state... (Article 6, §6).

[and]

Local public schools under the general supervision of the state board of education shall be maintained, developed and operated by locally elected boards... (Article 6, §5).

* The purpose of a state board and the meaning of "shall", "suitable", and "general" must be determined by a court, but the outcome in Kentucky and Texas reflects favorably on Kansas litigants under rational review with sparse constitutional provisions. The logic becomes:

(1) equality requires that people who are alike should be treated alike; (2) all people are in some sense alike; (3) therefore, equality entails a "presumption" that all people be treated the same unless society advances some justification for treating them differently.

* Under these conditions, litigation may deliberately seek only a rational relationship because it argues for a state plan to further equal opportunity, rather than demonstrating a loose connection to a state interest of local control.

* The effect is to turn rationality inward as an attack by actually requiring a rational relationship which promotes equality. An attack on Kansas should focus on whether the SDEA is rationally related to educational opportunity because rationality is easily available and is the ultimate expression of equality.

QUESTION #2
WHAT IS RIGHT AND WHAT IS WRONG WITH THE SDEA?

* What is right and wrong can be considered by current lawsuits.
    * Framing in a legal context.
    * Features of the SDEA.
    * Framework for evaluating the SDEA.
    * Statistical assessment of the state and enrollment categories.
    * Relating statistical analysis to actual effects.
    * Synthesis and admonitions regarding problems in the SDEA.

ACTION IN CONTEXT

* Couched in the language of Brown, Serrano, and others, the framing set the stage for questioning the SDEA under the intent of equalization and through enrollment categories.
* By framing the study in this light, the formula is cast into the context of equity and adequacy as defined by the courts.

* Equal opportunity should be uniformly present in the SDEA, and equalization can be fully served when the only differential costs recognized are those related to size rather than other costs such as economic and geographic factors affecting the price of education.

CONTENTIONS ABOUT EQUITY IN KANSAS

* Equalized educational services benefit children;
* The Kansas legislature agrees because it statutorily enacted the SDEA;
* The legislature, through the SDEA and certain other constitutional provisions, has made commitments to fiscal resource impacts and equal opportunity and equal protection;
* The generally accepted principle that dollars are the only realistic measure of equal opportunity forces the conclusion that the link between wealth and opportunity should be eliminated.
* An equitable formula should eliminate wealth disparities uniformly.

* A complete definition of equity thus states that adequate and equalized resources are prerequisite to equal opportunity, that the legislature has committed to those ends, and that any attempt to justify variations from complete equality should be negated by a court.

FRAMEWORK FOR EVALUATING THE SDEA

* RESOURCE ACCESSIBILITY asks whether students have equal access to resources to meet their needs.

* WEALTH NEUTRALITY asks whether resources are related to local wealth and residence.

* TAXPAYER EQUITY asks whether equal tax effort results in equal yield.

RESOURCE ACCESSIBILITY

* Access to resources in the context of variability of budgets per pupil and wealth become the focus.

    * In the SDEA, the median of each enrollment category is used by the state as its definition of adequate expenditures. Too much variation could be deleterious.

    * There is also logic for considering mean wealth and budgets per pupil because the median and mean may not be the same. If the mean and median are significantly apart, the median could be the wrong measure of wealth and adequacy by under-estimating the true cost of education.

WEALTH NEUTRALITY (AND TAXPAYER EQUITY)

* Tandem movement between wealth and budgets become the focus.
    * If wealth and budgets are positively linked so that an increase in wealth results in an increase in budgets, wealth neutrality is violated.

    * Variations should be closely tied to a legitimate purpose such as compensating for cost differences. If wealth and budgets are positively linked and if differences between categories are not significant or are unevenly compensated, all three equity standards would be violated because differences become irrational and wealth-discriminatory.

TABLE 1
WEALTH AND BUDGET PER PUPIL RANGE MEASURES
FOR THE RESOURCE ACCESSIBILITY STANDARD

Column 1	2	3	4	5	6	7	8	9
	UR WPP	% Chg	RR WPP	% Chg	UR BPP	% Chg	RR BPP	% Chg
1978-79								
State	$258268	--	$122661	--	$2546	--	$1282	--
0-199	209792	--	159887	--	2041	--	1886	--
200-399	169977	--	108148	--	1463	--	1078	--
400-1299	155144	--	39077	--	1440	--	775	--
1300+	106390	--	52583	--	691	--	319	--
1983-84								
State	$581914	125%	$268937	119%	$5199	104%	$2363	84%
0-199	503998	140%	467917	193%	3900	91%	2713	44%
200-399	406857	139%	274197	154%	2298	57%	1567	45%
400-1899	292660	N/C	195984	N/C	2186	N/C	861	N/C
1900-9999	88419	N/C	59797	N/C	727	N/C	482	N/C
10,000+	64715	N/C	8125	N/C	903	N/C	166	N/C
1988-89								
State	$588983	1%	$177689	-34%	$6020	16%	$3469	47%
0-199	515954	2%	165147	-65%	4711	21%	2898	7%
200-399	348353	-14%	190990	-30%	3050	33%	1664	6%
400-1899	564194	93%	218415	11%	2557	17%	1129	31%
1900-9999	71134	-20%	54912	-8%	1651	127%	836	73%
10,000+	104334	61%	36255	346%	495	-45%	495	198%

UR WPP= Unrestricted range of wealth per pupil.
% Chg= Percent change between the present and prior time periods.
RR WPP= Restricted range of wealth per pupil.
UR BPP= Unrestricted range of budget per pupil.
RR BPP= Restricted range of budget per pupil.
N/C= Noncomparable data.

LONGITUDINAL PERFORMANCE OF THE SDEA

MEDIAN BASED MEASURES

* RESOURCE ACCESSIBILITY

    * Measured by ranges of wealth and budgets per pupil using the median as the point of analysis.

    * Measured by mean-based measures of wealth and budgets using the mean as the point of analysis.

    * Enrollment category medians measured by tests for significant differences.

Resource Accessibility

* Table 1 looks at the difference between the highest and lowest scores in the state and enrollment categories.

    * The two wealth measures are WEALTH and BUDGET PER PUPIL
    * The two statistics are UNRESTRICTED RANGE (highest minus lowest) and RESTRICTED RANGE (top %5 and bottom 5% removed), showing how wealth and budgets vary about the median.

COLUMN 3: WEALTH

STATE UNRESTRICTED RANGE

* Disparity in unrestricted wealth per pupil has always been large and has widened over time.
* Wealth in 1978-79 varied by $258,268 per pupil.
* By 1983-84, the gap had widened another 125%.
* By 1988-89 the gap had again increased another 1%.
* Wealth disparity grew significantly over the ten year period, a factor which if unmitigated, would result in obvious and severe inequality.
* The base difference and growth identify a widening inequality which could have a disequalizing effect unless the formula fully compensated.

ENROLLMENT CATEGORIES UNRESTRICTED RANGE

* From 1978-84, all enrollment categories were not comparable because of changes.
* From 1978-84 unrestricted wealth increased roughly equal to the state (125%). Category I increased by 140% and Category II by 139%.
* From 1984-89 enrollment categories did not follow. Wealth disparity widened in the first, third and fifth categories while improving in the second and fourth.
* The greatest increases were in Category III (93%) and Category V (61%).
* Categories II and IV saw wealth disparity decrease.
* While these data only show extreme variations of wealth, they show that wealth differences have been large and increasing, that wealth is unevenly distributed, and that enrollment categories do not affect wealth.

COLUMN 5: WEALTH

STATE RESTRICTED RANGE

* From 1978-84 wealth disparity grew 119% at state level.
* By 1984-89, however, wealth disparity decreased -34%.
* Although the unrestricted range in Column 3 continued to increase, the restricted range revealed that increases in wealth were not widely shared as districts came closer together.
* Increases/decreases in the wealth in a few districts caused disparity in the state to worsen.
* While the data do not conclude that wealth inequality had a negative impact on opportunity, there are big differences from top to bottom.

ENROLLMENT CATEGORIES RESTRICTED RANGE

* From 1978-83 restricted disparity in wealth grew significantly in the first and second categories.
* Category I and Category II increased by 193% and 154%.
* From 1984-89 all enrollment categories except III and V experienced narrowing wealth disparity.
* In Category III wealth disparity increased 11%, while Category V appeared to increase by 346%.
* The remainder of categories reduced wealth disparity by unequally, with Categories I and II improving by -65% and -30% and small reduction in Category IV of -8%.
* These factors suggest uneven shifts in wealth which without full formula intervention, would impact educational expenditures.

COLUMNS 3 + 7: UNRESTRICTED BUDGET AND WEALTH COMPARED

STATE UNRESTRICTED RANGE

* From 1978-83 wealth disparity increased 125%, while budget disparity increased 104%.
* From 1984-89 wealth increased again (1%), but budgets increased 16%.
* Under these conditions, wealth disparity from 1978-83 increased faster than the disparity in budget per pupil, but disparity in budgets increased faster than wealth from 1984-89.
* Such a situation might indicate that budgets have responded unfavorably in recent years to changes in wealth because it might be feared that higher wealth districts were increasing budgets faster than low wealth districts--reflecting on wealth and ability.

ENROLLMENT CATEGORIES UNRESTRICTED RANGE

* From 1978-83 wealth disparity increased, accompanied by a modest increase in disparity of budgets.
* Category I wealth disparity (140%) grew faster than disparity in budget per pupil (91%).
* Category II was more dramatic as wealth (139%) increased much faster than budgets (57%).
* From 1984-89 Categories II and IV once again showed the most unusual behavior. Category II wealth disparity dropped -14% while budget disparity increased 33%, while Category IV dropped -20% on wealth, but with an enormous increase in budget disparity of 127%.
* These data indicate a highly uneven behavior of wealth and budgets which could suggest unfavorable movement.

COLUMNS 5 + 9: RESTRICTED BUDGET AND WEALTH COMPARED

ENROLLMENT CATEGORIES RESTRICTED RANGE

* From 1978-83 wealth and budgets were again parallel as wealth increased faster (119%) than budgets (84%).
* From 1984-89 wealth disparity dropped (-34%) while budget disparity increased (47%).
* These data suggest problems.
    * Wealth and budgets are reacting to economics.
    * The SDEA may be involved. If wealth disparity is dropping and budget disparity is growing, the gap could be the result of wealthy districts generating greater dollar increases than poorer districts, despite higher budget lids below the median. Tax effort in wealthy districts can generate increasing budget disparity, even though wealth disparity has closed--conditions which argue against the formula pulling low-spending districts up through budget lids.

* The logical explanation is that wealth and budgets are related. It also reflects negatively on budget lids and enrollment category medians. This data suggests that it is difficult for districts below the median to close the gap, particularly when budget lids are only minimally apart as they have been in recent years.
* Budget lids and the inverse relationship of aid to wealth do not assure that expenditure disparity will decrease the way equalization predicts.
* The whole premise of the median and enrollment categories and budget lids are called into question because the formula may not fully offset the effect of wealth.

INITIAL SUMMARY
MEDIAN-BASED MEASURES

* Wealth varies substantially within the state and within enrollment categories.

* When wealth extremes are removed, those variations remain at significant levels.

* Per-pupil budgets also vary widely and often in response to local wealth.

* Variations are more parallel to economic fortune in the state than to formula intent because, despite the intended inverse relationship of the SDEA on wealth and aid, the two critical indicators of wealth and budgets seem linked.

* From 1984-89 the fourth enrollment category experienced the greatest problems as it held the largest increase in disparity of budgets to wealth.

* Neither medians nor lids automatically lead to equity and in fact may create disparities as wealthy districts can still pull ahead of poorer districts.

MEAN BASED MEASURES

* Mean wealth and mean budgets should not be ignored because a median assumes wealth and budgets are normally distributed.

    * In a normal distribution the mean and median are somewhat parallel (e.g., districts actually spend close to the median), but if the distribution is not normal (e.g., districts actually spend more than the median), these measures may grow apart.

    * If they are significantly apart, problems can occur in the formula that are not reflected in the median.

    * Mean-based statistics can see whether the median accurately describes wealth and budgets per pupil in Kansas by noting whether they are normally shaped.

BUDGET SKEWNESS

* Table 2 demonstrates the skewness of the mean and median of budgets in Column 5. Skewness describes the relationship between the mean and median. Generally, skewness greater than 1.0 is bad. If significant skewness exists, the median could be a poor starting point for deciding how much state aid districts deserve.

* In Table 2 skewness between the median budget per pupil and the mean budget per pupil is off in some instances.

    * For the state, skewness shifted downward from 1.46 to 1.03, indicating decreased disparity between the mean and median budgets per pupil.
    * For enrollment categories, the news is mixed.
        * Categories III and IV have problems.
        * For Category IV the mean is 2.06 standard deviations above the median. Thus spending in Category IV was significantly above the median. Simply put, Category IV districts for some reason spend more than the median budget per pupil, while the formula assumes all that they need to spend is the median amount.
    * These movements are significant, because if higher spending is not compensated by the SDEA and if wealth were lower in these districts, the median would be an inappropriate measure on which to base state aid, and the wealth relationship to spending would indicate disproportionate tax effort--conditions reflecting both inadequate and inequitable funding.
    * For Category IV, skewness is growing worse, increasing from 2.06 in 1983 to 2.28 in 1989 (11%).

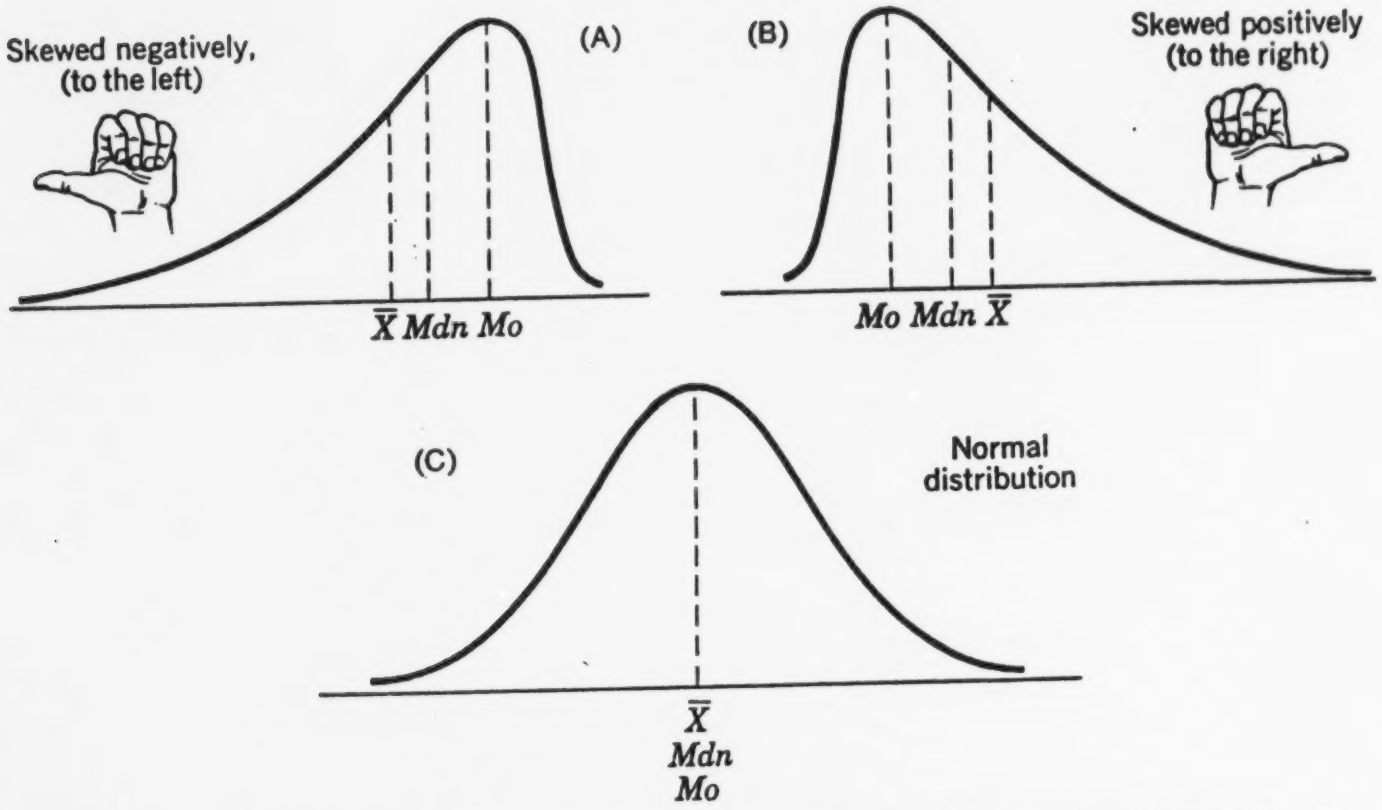

Figure: *$\bar{X}$, Mdn, and Mo in the Normal Distribution and in Skewed Distributions.*

TABLE 2
DESCRIPTIVE MEASURES ON BUDGET PER PUPIL
FOR THE STATE AND ENROLLMENT CATEGORIES
RESOURCE ACCESSIBILITY STANDARD

Column 1	2	3	4	5
	Mean	Standard Deviation	Coefficient of Variation	Skewness
1983-84				
State	$3197.23	$713.09	.223	1.46
Category I	4485.00	820.33	.1829	.37
Category II	3588.62	388.81	.1083	.59
Category III	2943.81	274.77	.0933	1.11
Category IV	2335.56	148.27	.0634	2.06
Category V	2541.52	95.69	.0377	.13
1988-89				
State	$4388.09	$980.59	.2235	1.03
Category I	6104.89	1045.76	.1713	.08
Category II	4891.90	550.19	.1125	.75
Category III	4127.75	447.89	.1085	-.37
Category IV	3070.53	225.27	.0734	2.28
Category V	3495.48	253.09	.0724	.41

WEALTH SKEWNESS

* Table 3 indicates unusual behaviors in wealth.
    * Category IV exhibited again the most unique behavior, as mean wealth fell below the median. This calls the median into question, because significant differences between median and mean wealth and budgets would result in funding problems.

* Table 4 describes skewness of wealth and budgets as normal, significant or abnormal. The interpretation is:

    * If the mean budget is skewed above the median budget, districts are spending more than the formula aids.

    * If wealth is skewed above the median and budgets are skewed above the median, wealth and budgets appear suspect.

    * When budgets are skewed above the median but wealth is skewed below the median as in Category IV, the formula may be underfunding those districts.--either because the median is an inaccurate measure or because the formula does not correct for wealth.

* There is an imbalance in skewness of wealth and budgets which is highly uneven and which implies unequal experiences in attempting to fund educational needs. Because the SDEA ignores everything except the median, at least for low wealth fourth category districts there is an implication of unfairness because the SDEA bases aid on a lower median which does not allow them to come up to the actual costs of the category.

* These issues raise questions of uniformity and sufficiency, and they especially imply that using enrollment category medians to determine funding for districts may be problematic. From the perspective of litigation, the state's reliance on the median as its indicator of adequacy and equity may be a problem because the median ignores the most significant behaviors in the distribution, especially in Category IV. The effect could be differential treatment unless the different medians are based on to legitimate cost factors.

TABLE 3
DESCRIPTIVE MEASURES ON WEALTH PER PUPIL
FOR THE STATE AND ENROLLMENT CATEGORIES
RESOURCE ACCESSIBILITY STANDARD

Column 1	2	3	4	5
	Mean	Standard Deviation	Coefficient of Variation	Skewness
1983-84				
State	$142919	$91851	.64	1.75
Category I	284364	113361	.40	1.32
Category II	176438	82217	.47	.94
Category III	113838	56836	.50	1.14
Category IV	70891	17550	.247	.17
Category V	90100	27133	.0312	-.54
1988-89				
State	$113682	$67655	.595	3.36
Category I	186836	85656	.458	3.16
Category II	131006	58709	.449	1.95
Category III	99331	61291	.617	4.69
Category IV	74495	15344	.206	-.08
Category V	109516	40354	.368	.60

TABLE 4
COMPARISONS OF SKEWNESS
WEALTH AND BUDGETS PER PUPIL

	WEALTH AND BUDGETS PER PUPIL		
1983-84	WEALTH	BUDGETS	
State	1.75	1.46	Significant
Category I	1.32	.37	Significant
Category II	.94	.59	Normal
Category III	1.14	1.11	Significant
Category IV	.17	2.06	Abnormal
Category V	-.54	.13	Normal
1988-89			
State	3.36	1.03	Significant
Category I	3.16	.08	Significant
Category II	1.95	.75	Significant
Category III	4.69	-.37	Abnormal
Category IV	-.08	2.28	Abnormal
Category V	.60	.41	Normal

SIGNIFICANT DIFFERENCES IN CATEGORY MEDIANS

* Enrollment category medians should be based on legitimate differences in actual costs.

* For all categories except V, costs are presumably related to efficiency. For Category V, the reason for a higher median is higher urban costs.

* If any category's costs are truly greater, actual differences in spending should be evident among the enrollment categories. If no differences are found, then a higher median in any category is an irrational statutory division.

* Table 5 tests all categories against each other for significant differences. Significant expenditure differences were only found in those categories marked by an asterisk.

    * No significant difference in the actual budgets per pupil were found between Categories III and V and Categories IV and V.

    * This is critical because it argues that there is no true justification for a lower median budget per pupil for Category IV. It implies that the costs of districts in Categories III, IV, and V are in fact similar and that the use of different medians does not relate either to costs or to equal educational opportunity.

    * By this logic, enrollment categories are not effective or rational because they neither accurately reflect the efficiencies of size or take into account whatever costs actually make the third, fourth and fifth categories more similar than different. In fact, it finds the fourth category spending as much as fifth category districts without the attendant state assistance enjoyed by the fifth category--a definite problem when trying to defend a formula as rationally related to equalization and equal opportunity.

    * One might conclude that the formula is flawed in terms of consistency, and that enrollment categories do not facilitate state responsibility to provide full equal opportunity.

TABLE 5
COMPARISON OF MEAN BUDGET PER PUPIL
BY ENROLLMENT CATEGORY
RESOURCE ACCESSIBILITY STANDARD

1983-84
Full model 5 groups f=172.46 p=.0001

Post Hoc Test Results

Category	Mean Difference	Scheffe test
1 vs 2	$896.38	30.35*
1 vs 3	1541.19	112.25*
1 vs 4	2149.44	129.62*
1 vs 5	1943.48	21.82*
2 vs 3	644.81	31.95*
2 vs 4	1253.06	57.10*
2 vs 5	1047.10	6.65*
3 vs 4	608.25	16.68*
3 vs 5	402.29	1.01
4 vs 5	-205.97	.24

1988-89
Full model 5 groups f=163.12 p=.0001

Post Hoc Test Results

Category	Mean Difference	Scheffe test
1 vs 2	$1212.99	27.82*
1 vs 3	1997.15	91.65*
1 vs 4	3034.06	135.51*
1 vs 5	2609.41	24.38*
2 vs 3	764.15	22.72*
2 vs 4	1821.37	65.05*
2 vs 5	1396.41	7.43*
3 vs 4	1057.22	27.42*
3 vs 5	632.26	1.59
4 vs 5	-424.96	.65

* Significant at 0.95

Wealth Neutrality

Correlations

* All tests point to possible unfavorable relationships between wealth and local spending or to unreasonable statutory divisions.

* Correlations and regression were used to look at links between wealth and budgets.

    * Correlations tell whether changes in wealth and budgets are linked together.

    * Regression analysis looks at what causes any changes.

    *If high wealth and high budgets are shown by correlations, regression can help point out whether wealth causes the higher budget. If wealth significantly drives budgets, wealth neutrality is violated.

* Table 6 shows correlations and regression values.

    * In most instances there is a meaningful relationship between budgets per pupil and wealth at the state level and within enrollment categories.

    * The link between budget and income is weakest (.08).

    * Adjusted valuation is the strongest correlation (.59).

    * This generally holds true over time and across categories.

    * The exception is once again in Category IV where income is negatively related to budgets (-.26) and where a low correlation between budgets and assessed valuation (.20) is observed.

    * These observations indicate a moderate improvement in wealth neutrality across the state and all enrollment categories.

* Conclusions about the state and Category IV should be cautious.
    * Wealth is not neutral in Kansas.
    * Category IV has no advantage, because equity in Category IV is declining. For Category IV, the relationship between budget and valuation increased tenfold from .02 to .20 from 1984-89.

TABLE 6
VARIANCE ESTIMATES
PEARSON CORRELATION COEFFICIENTS FOR THE PER-PUPIL MEASURES OF WEALTH, BUDGET, ADJUSTED VALUATION, AND TAXABLE INCOME
WEALTH NEUTRALITY STANDARD

Variance estimate (r^2) in parentheses

	1983-84		
	AJVPP	TIPP	WPP
Budget per pupil to:			
State	.81 (.65)	.17 (.03)	.81 (.65)
Category I	.70 (.49)	.36 (.13)	.71 (.51)
Category II	.56 (.32)	.37 (.14)	.57 (.32)
Category III	.63 (.41)	.27 (.07)	.64 (.41)
Category IV	.02 (.0029)	-.32 (.11)	-.08 (.01)
Category V	.79 (.62)	.87 (.76)	.82 (.67)

	1988-89		
	AJVPP	TIPP	WPP
Budget per pupil to:			
State	.59 (.34)	.08 (.01)	.58 (.34)
Category I	.56 (.32)	.38 (.15)	.57 (.32)
Category II	.51 (.36)	.31 (.11)	.53 (.28)
Category III	.30 (.09)	.03 (.00957)	.30 (.09)
Category IV	.20 (.04)	-.26 (.07)	.05 (.0026)
Category V	.37 (.14)	.27 (.07)	.33 (.11)

AJVPP= adjusted valuation per pupil
TIPP= taxable income per pupil
WPP= the sum of AJVPP and TIPP

Regression

* The values in Table 6 in parentheses are regression results.
    * These data indicate that differences in property wealth are a determinant of budgets per pupil. At the state level 34% of difference in budgets per pupil in 1988-89 are because of differences in property wealth.
    * The same pattern holds for the enrollment categories.
    *Only Category IV again demonstrated wealth neutrality, with property explaining only 4% of budgets.
    * It is important to remember that fourth category districts are spending more than the category median compensates. Thus they may be the recipients of wealth-neutral underfunding.
    * The bottom line of the regression analysis is that wealth and resources are still meaningfully linked.

CONCLUSIONS ABOUT ADEQUACY AND EQUITY IN THE SDEA

* Despite a general trend toward equity, movement is moderate because the link between budgets and wealth is still significant.
* Only Category IV has moved against the equity trend, which is disturbing because it reaffirms an uneven performance of the SDEA.
* The enrollment categories do not seem to serve any rational purpose other than some efficiency benefit.
* Skewness in the fourth enrollment category median and mean wealth and budgets are worrisome because they suggest that these districts may be underfunded.
* Since there are no significant differences between some enrollment category districts, the statutory division appears to work an arbitrary disadvantage.
* Where property wealth explains as much as 36% of variations in budgets per pupil in some districts while explaining only 4% in others, it may be argued that the inverse relationship of the SDEA does not provide a uniform or rational relationship between the SDEA and equal opportunity.

* WHEN THESE OBSERVATIONS ARE LINKED TO THE MEDIAN PRESERVING NATURE OF BUDGET LIDS AND TO THE INTENT OF EQUALIZATION IN TERMS OF FULLY REDRESSING WEALTH DISADVANTAGE FOR EVERY CHILD, THE OUTCOME MAY BE A DEGREE OF IRRATIONALITY IN A LEGAL SENSE BECAUSE IT DOES NOT UNERRINGLY PROMOTE EITHER EQUITABLE OR ADEQUATE FUNDING.

QUESTION #3
IF THE FORMULA IS FUNDAMENTALLY FLAWED,
HOW SHOULD IT BE FIXED?

* Changes are needed to provide greater equity. What those changes should be and how they should be implemented is, of course, a legislative prerogative. Whether any changes will also be guided by a court is yet to be seen.

* The formula is NOT fundamentally flawed, and the philosophy of equalization should be left intact. Improvements are possible, however, which can embrace a <u>fully</u> equalized educational opportunity for <u>absolutely every child</u>.

* The net problem is that uneven performance on resource accessibility and wealth neutrality, especially in the enrollment categories, results in unequal treatment of children, primarily because the enrollment categories are too narrowly designed to fit a modern concept of equal opportunity.

* Five guideposts could steer improvements for the SDEA:

* First, the SDEA should be dissected to determine the unclear factors that are driving its uneven performance. Unequal mean and median performance raises questions about equitable distribution and adequate support. How adequacy is defined in Kansas is critical. Additionally resource accessibility, wealth neutrality, and taxpayer equity should be examined with an a redefinition of wealth in the formula.

* Second, enrollment categories should be reexamined for its intent and effect, and mechanisms embracing other cost factors should be allowed to take control of state aid distribution. Price-sensitive factors should be adopted while reducing the importance of economies of scale.

* Third, a greater state share of budgets should emerge because as state control increases, wealth-dependency lessens.

* Fourth, an equalization formula that <u>substantially</u> grants equality is not enough. In contrast, equality of opportunity should be <u>absolutely</u> achieved. There is no rationale to justify the failure to relentlessly pursue equity. Every child has every disadvantage totally redressed regardless of price.

* Fifth, the SDEA should be restored and examined minutely for flaws.

QUESTION #4
DOES THE POWER EQUALIZATION APPROACH TILL HAVE VALIDITY OR IS THERE SOME NEWER, BETTER MODEL THAT SHOULD BE CONSIDERED?

* No better model exists, but there are changes to how we define power equalization which might be useful.

* Table 7 identifies the fifty state methods for general fund financing formulas. Four options presently exist:

    * Foundation programs
    * Equalization schemes
    * Full state funding
    * Multi-tiered systems.

    * Foundation programs seek a minimum level of support to which districts can and should add local resources.

    * Equalization schemes look primarily at the inverse relationship between wealth and aid.

    * Full state funding clears the slate and casts the total burden of educational costs onto the state.

    * Multi-tiered systems combine two or more of these schemes to overcome any of their individual weaknesses.

* In Kansas, our strengths are the focus on equalization and the inverse relation of aid to wealth. Our weaknesses are arguably that we focus more on the tax side than on the equalization of expenditures, in the absence of a required minimum expenditure per pupil, in the effect of our budget lids on preserving distances from the median, and in the incompleteness of how we define the legitimate costs of education through the enrollment categories.

* Improvements to the SDEA could include four goals:

    * The measure of ability to pay must be comprehensive and sensitive to annual economic changes.
    * Districts must be assured of a adequate support base, either through state aid compensation, through a broad tax base (perhaps including a statewide property tax), and through an accurate measure of local wealth.
    * The formula should be linked to a cost index or weightings which recognize all legitimate cost variables.
    * Equalization should be on top of a lighthouse foundation funded by uniform tax levy.

TABLE 7
STATE AID METHODS

FOUNDATIONS	EQUALIZATION	TWO-TIERS
[33 states]	[8 states]	[8 states]
Alabama	Connecticut	Georgia
Alaska	Colorado	Kentucky
Arizona	Kansas	Massachusetts
California	Michigan	Missouri
Delaware	New Jersey	Montana
Florida	New York	Oklahoma
Idaho	Rhode Island	Pennsylvania
Illinois	Wisconsin	Utah
Indiana		
Iowa		
Louisiana		
Maine		
Maryland		
Minnesota		
Mississippi		
Nebraska		
Nevada		
New Hampshire		
New Mexico		
North Dakota		
Ohio		
Oregon		
South Carolina		
South Dakota		
Tennessee		
Texas		
Vermont		
Virginia		
Washington		

FULL STATE FUNDING
[1 state]
Hawaii

QUESTION #5
ASSUMING THAT A SCHOOL FINANCE PLAN WILL TAKE INTO CONSIDERATION SOME MEASURE OF LOCAL ABILITY TO FUND SCHOOLS, WHAT ARE THE OPTIONS IN TERMS OF APPROPRIATE MEASURES OF SUCH LOCAL ABILITY?

* The coveted relationship is high local wealth with a low tax rate and the appearance of extreme poverty in order to increase state aid. The only better solution is total local control over a budget derived from someone else's tax base.

* The majority of states relies on the property tax as the mainstay of both revenue and ability to pay. As seen in Table 8, few states utilize any measure other than property wealth, and states which tap other definitions still place major emphasis on property. Table 8 shows 27 states relying exclusively on property.The other predominant tax tends to be the sales tax.

* There are good reasons why states define property as wealth.
    * Tremendous yield.
    * Stability
    * Ease of administration and inescapability
    * Wealth <u>is</u> expressed by property.

* Accessibility of tax bases is a major problem. In Kansas, income is not directly taxable by schools, and the income deduction in the formula is greater than the rebate returned to school districts. Therefore, Kansas faces two problems in defining wealth: in relying on property, it may not tap a wealth base which produces income commensurately; and by including income in wealth, it is using an inaccessible wealth factor as a measure of ability to pay.

* A fair tax structure includes:
    * Coordinated tax systems.
    * Taxes required of everyone.
    * Adequate yield.
    * Minimal tax erosion.

* As a starting point, a measure of ability to pay can be found in the ratio of a district's wealth to statewide mean wealth where property and income are equal in weight, counting only 50% of each factor. This yields an ability index between 0 and 1. This should be supported by allowing districts to tax income or making the rebate and tax deduction equal in size.

AID= DISTRICT'S WEALTH RATIO x GUARANTEED BPP x WEIGHTED FTE.

TABLE 8
SOURCES OF LOCAL REVENUE

ALABAMA	Property tax (51%), sales tax (21%), other (29%).
ALASKA	No taxing authority and 100% state support.
ARIZONA	Local property tax.
ARKANSAS	Local property tax.
CALIF	Countywide property tax.
COLORADO	Local property tax.
CT	Local property tax.
DELAWARE	Property tax (85%), interest (5%), fees and other (10%)
FLORIDA	Property tax (80%), interest (20%).
GEORGIA	Property tax (80%), sales (20%).
HAWAII	Does not apply.
IDAHO	Local property tax.
ILLINOIS	Local property tax, corporate property tax, and other.
INDIANA	Local property tax.
IOWA	Local property tax.
KANSAS	Local property tax and income tax rebate.
KENTUCKY	Property tax (70%), licenses (13%), utilities (13%).
LOUISIANA	Property tax (35%), sales (60%), Section 16 land (4%).
MAINE	Property tax (50%), income (19%), sales (19%), other (12%)
MARYLAND	Local property tax and income.
MASS.	Property tax, user fees, and excise taxes.
MICHIGAN	Local property tax.
MINNESOTA	Local property tax.
MISS.	Local property tax.
MISSOURI	Property taxes, sales tax, food sales, interest, fees.
MONTANA	Local property tax.
NEBRASKA	Local property tax.
NEVADA	Property tax (44%), sales (47%), other (9%).
N. HAMP.	Local property tax.
N. JERSEY	Local property tax.
N. MEXICO	1/2-mill property tax, interest earnings.
NEW YORK	Local property tax.
N. CAR.	Local property tax.
N. DAKOTA	Local property tax.
OHIO	Property tax (75%), other (25%).
OKLAHOMA	Local property tax.
OREGON	Local property tax.
PA.	Property tax (79%), other (21%).
R. ISLAND	Local property taxes.
S. CAR.	Property tax (87%), tuition/fees, miscellaneous.
S. DAKOTA	Local property tax.
TENNESSEE	Property tax (66%), sales (34%).
TEXAS	Local property tax.
UTAH	Local property tax.
VERMONT	Local property tax.
VIRGINIA	Property tax, sales tax, income tax.
WASH.	Statewide property tax of 3.6 mills plus local levy.
W. VA.	Local property tax.
WISCONSIN	Local property tax.
WYOMING	Local property tax.

QUESTION #6
WHAT MECHANISMS DO OTHER STATES USE IN RESPONDING TO LEGITIMATE VARIATIONS IN COSTS, SUCH AS WEIGHTINGS OF PUPILS ON VARIOUS FACTORS, USE OF ENROLLMENT CATEGORIES, OR OTHER SPECIFICALLY DEFINED CATEGORIES OF DISTRICTS?

* Cost factors have generally addressed three concerns:
    * Density or sparcity
    * Enrollment trends
    * Grade level differences.

* Table 9 summarizes provisions for sparsity or density, and Table 10 details the weightings given to enrollment size.

    * Slightly more than half the states recognize sparsity or density in their formulas.

    * There have been two major strategies:
        * Aid to small and necessary schools
        * Adding dollars to the basic formula to offset diseconomies of scale.
        * Urban districts have not received much consideration.

* Table 11 details how states adjust for changing enrollments.

    * Slightly more than half do not make provisions for districts experiencing enrollment changes.

    * Methods are similar, often allowing multi-year averaging.
    * Formulas often work both ways, counting the "best" years.

* Table 12 details weightings for grade level differences.
    * Only 11 states calculate aid based on perceived differences in costs of education due to grade level. Generally, these notions reflect the belief that increased costs associated with facilities and equipment increases as children grow older, or conversely that the primary years are critical.

* Weightings are commonly seen to be a significant benefit, and they have the effect of creating unofficial price differential indexes. The notion of one size fits all is not widespread.

* For Kansas, the analysis of costs in the fourth and fifth enrollment categories where districts are funded at different levels without data to support those differences points up a need to consider additional weightings.

TABLE 9
SPARSITY OR DENSITY

ALABAMA	Does not apply.
ALASKA	Does not apply.
ARIZONA	Districts less than 600 are small/isolated and receive weightings.
ARKANSAS	Weightings to be phased out by 1990.
CALIF	Necessary small schools (elementaries <100, high schools <301) may choose an ADA-driven dollar amount instead of revenue limit funding.
COLORADO	If more than 500 ADA per square mile and ADA is 50,000 support is 103%. Small schools receive additional aid.
CT	Regional schools receive an extra $25 flat grant.
DELAWARE	Does not apply.
FLORIDA	Sparsely populated districts receive a supplement multiplied by a cost differential.
GEORGIA	Isolated school receive additional funds.
HAWAII	Does not apply.
IDAHO	Allotments vary by district size. Special allowances for remote and necessary schools.
ILLINOIS	Does not apply.
INDIANA	Does not apply.
IOWA	Aid for .5% of time pupil is taught by shared teacher.
KANSAS	Higher BPP of enrollment categories.
KENTUCKY	Last year's ADA is used to calculate foundation.
LOUISIANA	Number of pupils in a funded unit varies for districts with less than 413 ADM.
MAINE	Grants for geographically isolated and small schools.
MARYLAND	Does not apply.
MASS.	Does not apply.

MICHIGAN	Does not apply.
MINNESOTA	Districts under 500 secondary pupils in sparse areas receive a supplemental allowance.
MISS.	Does not apply.
MISSOURI	Prior year student count or 3-year average.
MONTANA	For elementaries under 300 and high schools under 600, weightings are applied.
NEBRASKA	4,3,2,1 persons per square mile yield 10-40% more aid.
NEVADA	Weights for small schools and urban areas.
N. HAMP.	Does not apply.
N. JERSEY	Does not apply.
N. MEXICO	Elementaries under 200, high schools under 200-400, and districts over 10,000 qualify for additional aid.
NEW YORK	Does not apply.
N. CAR.	Isolated school allotment.
N. DAKOTA	High schools below 550 receive .70 added weight; 1-teacher elementaries receive 1.30; small elementaries between .90 and 1.00.
OHIO	Extra subsidy for 3 special districts.
OKLAHOMA	Less than 500 is weighted in foundation.
OREGON	Approved necessary small schools.
PA.	4,000 per square mile gets extra 1%; up to 6,000 gets 3%; above 6,000 gets 5%; if above 6,000 and enrollment is above 35,000, district gets 19%; small districts under 1,500 receive extra aid.
R. ISLAND	Does not apply.
S. CAR.	Does not apply.
S. DAKOTA	Small schools have a larger mill deduction.
TENNESSEE	Does not apply.

TEXAS	Base is increased by difference between ADA and 1600. Districts over 300 sq. miles receive extra aid. Districts below 130 use a special formula.
UTAH	Additional units for necessary schools.
VERMONT	Study underway.
VIRGINIA	Does not apply.
WASH.	Remote and necessary schools (elementaries under 100 and high schools under 300) allowed additional staff and dollars.
W. VA.	Does not apply.
WISCONSIN	Does not apply.
WYOMING	Increase of 10% entitles recalculation.

TABLE 10
WEIGHTINGS BY ENROLLMENT SIZE

ARIZONA Districts <600 are weighted:

K-8	Weight	9-12	Weight
1-99	1.399	1-99	1.599
100-499	1.278	100-499	1.398
500-599	1.158	500-499	1.268

ARKANSAS Districts <360 in prior year were previously weighted. Weightings were phased out in 1990-91.

CT. State gives extra $25 per pupil for towns participating in K-12 systems.

FLORIDA Districts are weighted for sparcity and density rather than a per pupil amount. For sparcity, eligible districts have <14,000 FTE. A sparcity index is found by dividing FTE by approved high schools (max=3). This is the sparcity index for inclusion in formula:

$$\text{Factor} = 2700 + \frac{1101.8918}{\text{District Sparcity Index}} - 0.1101$$

IDAHO

Kdg. Units

ADA	Weight
41 or more	1.00+
31-40.99	1.00
26-30.99	.85
21-25.99	.75
16-24.99	.60
8-15.99	.50
1-14.99	count w/ele.

Ele. Units

ADA	ADA per unit	Weight
300 or more	23	15+
160-299.9	20	8.4
110-159.9	19	6.8
71-109.9	16	4.7
51.7-71.0	15	4.0
33.6-51.6	13	2.8
16.6-33.5	12	1.4
1.0-16.5	--	1.0

Sec. Units

ADA	ADA per unit	Weight
750 or more	18.5	47+
400-749.9	16.0	28
300-399.9	14.5	22
200-299.9	13.5	17
100-199.9	12.0	9
<99	--	--

N. MEXICO Additional classroom units for districts <400:
Ele/Jr High: (200 - MEM/200) x 1.0 x MEM= Units
Senior High: (200 - MEM/200) x 2.0 x MEM= Units OR
(400 - MEM/400) x 1.6 x MEM= Units (whichever is higher).
ALSO additional units for districts >10,000:
(4,000 - MEM/Senior High Schools) x .50= Units

N. DAKOTA	Elementary	KDG.
1 rm and 1-8		
first 16	1.30	.65
each addt.	.90	
Gr. 1-6	1.00	.50
.99 ADM	.90	.45
100-999	.90	.45
1000+	.95	.475
High School		
0-74	1.70	
150-549	1.40	
550+	1.20	

OKLAHOMA
Additional pupil units earned in districts <500:
(500 - ADA/500) x .2 x ADA= Units

UTAH
Additional units for small and necessary schools:

Elementaries

ADA	Weights
5-13	27
13-21	40
21-31	53
31-51	53 + (1.4)(ADM-30)
51-91	81 + (1.2)(ADM-50)
91-111	129 + (1.0)(ADM-90)
111-165	149 + (0.3)(ADM-110)

Junior Highs

ADA	Weights
0-46	ADM x 2.0
46-90	80 + (.9)(ADM-40)
90-168	140 + (.9)(ADM-80)
168-279	238 + (.9)(ADM-150)
279-389	338 + (.9)(ADM-250)

Senior Highs

ADA	Weights
0-84	ADM x 2.0
84-140	150 + (1.6)(.9)(ADM-75)
140-207	230 + (1.1)(.9)(ADM-125)
207-279	296 + (1.0)(.9)(ADM-185)
279-417	361 + (.112)(.9)(ADM-250)

WYOMING

Weighted classroom units:

Elementary

ADM	Divisor	Units
<10	8	1.00
10-27	8	1.20
27-44	12	3.25
44-76	14	3.60
76-151	16	5.36
151-301	19	9.38
301-501	22	15.8
501+	23	22.7

Junior Highs

ADM	Divisor	Units
<51	13	2.0
51-151	15	3.85
151-301	18	10.0
301-501	21	16.7
501+	23	23.8

High Schools

ADM	Divisor	Units
<76	10	--
76-151	14	7.4
151-301	17	10.7
301-501	20	17.6
501+	23	25.0

TABLE 11
DECLINING ENROLLMENT

ALABAMA	Use of prior year count or current year ADA.
ALASKA	Does not apply.
ARIZONA	5% limit on decline to protect districts.
ARKANSAS	Does not apply.
CALIF	Use of prior year count or current year ADA.
COLORADO	Use either last two pupil counts or 4-year average.
CT	Does not apply.
DELAWARE	93% of prior year count guaranteed.
FLORIDA	Additional aid for 50% of decline over prior year.
GEORGIA	Average of 3 most recent years.
HAWAII	Does not apply.
IDAHO	If loss is greater than 1%, aid is 1% below prior year.
ILLINOIS	Aid is greater of 3-year average or best 3 months of prior year.
INDIANA	Adjustment for growth only.
IOWA	25% of 1978 count plus 75% of either of last 2 years.
KANSAS	For 1990-91, the formula is in transition.
KENTUCKY	Does not apply.
LOUISIANA	Does not apply.
MAINE	Special grants for increases or declines.
MARYLAND	Does not apply.
MASS.	Does not apply.
MICHIGAN	Does not apply.
MINNESOTA	Decline from prior year allows supplemental levy.
MISS.	Count is the larger of current ADA/27 or prior year/27.
MISSOURI	Does not apply.
MONTANA	Prior year count is guaranteed.
NEBRASKA	Increase/decline is added to base needs up to 10%.
NEVADA	Prior year's entitlement is guaranteed.
N. HAMP.	Does not apply.
N. JERSEY	Does not apply.
N. MEXICO	Does not apply.
NEW YORK	Count is greater of base year or average of last two.
N. CAR.	Does not apply.
N. DAKOTA	Does not apply.
OHIO	Current year count or average of last two years.
OKLAHOMA	Best of last two years' ADA and ADM.
OREGON	Decline payment is a grant of 75% of entitlement.
PA.	Does not apply.
R. ISLAND	Does not apply.
S. CAR.	Does not apply.
S. DAKOTA	Does not apply.
TENNESSEE	Does not apply.
TEXAS	Does not apply.
UTAH	Does not apply.
VERMONT	ADM average of last two years.
VIRGINIA	Does not apply.
WASH.	Does not apply.
W. VA.	Does not apply.
WISCONSIN	Does not apply.
WYOMING	Loss of 100 ADM or 100% added back.

TABLE 12
WEIGHTING BY GRADE LEVEL

ALABAMA	1 grade unit per K= 20 ADA.
ALASKA	DNA.
ARIZONA	K-3= .04 weight.
ARKANSAS	DNA.
CALIF	DNA.
COLORADO	DNA.
CT.	DNA.
DELAWARE	1 grade unit per K=40; 1-3=19; 4-6=20; 7-12=20.
FLORIDA	K-3= 1.121; 4-8= 1.0; 9-12= 1.188.
GEORGIA	DNA.
HAWAII	DNA.
IDAHO	DNA.
ILLINOIS	DNA.
INDIANA	DNA.
IOWA	DNA.
KANSAS	DNA.
KENTUCKY	1 grade unit per K=25; 1-3=23; 4-12=27.
LOUISIANA	1 grade unit per K-3=22; 4-12=25.
MAINE	DNA.
MARYLAND	DNA.
MASS.	DNA.
MICHIGAN	DNA.
MINNESOTA	DNA.
MISS.	1 grade unit per 1-4=24; 5-12=27.
MISSOURI	DNA.
MONTANA	DNA.
NEBRASKA	DNA.
NEVADA	DNA.
N. HAMP.	DNA.
N. JERSEY	DNA.
N. MEXICO	K= 1.3; 1-3= 1.1; 4-6= 1.0; 7-12= 1.25.
NEW YORK	DNA.
N. CAR.	1 grade unit per K-9=26; 10-12=30.
N. DAKOTA	DNA.
OHIO	DNA.
OKLAHOMA	DNA.
OREGON	DNA.
PA.	DNA.
R. ISLAND	DNA.
S. CAR.	DNA.
S. DAKOTA	1 grade unit per K-8=21.85; 9-12=19.54.
TENNESSEE	1 grade unit per K-3=25; 4=28; 5-6=30; 7-12=35.
TEXAS	DNA.
UTAH	DNA.
VERMONT	DNA.
VIRGINIA	DNA.
WASH.	DNA.
W. VA.	DNA.
WISCONSIN	DNA.
WYOMING	DNA.

QUESTION #7
ARE THERE STATES THAT HAVE SCHOOL FINANCE PLANS DESIGNED SPECIFICALLY TO COMPRESS LOCAL PROPERTY TAX LEVIES INTO A NARROW BAND OF VARIATION?

* Table 13 shows how states limit the range of expenditures and tax rates. Tax rate variation is a fact of life in most states. The major deterrent is a lid on maximum levies or a required local effort which may not be exceeded.

* Compression of tax rates is a function of two activities:
    * Uniform property appraisal bring tax rates in line.
    * Restrictive lids to prevent tax rates from rising.

* Tax rate compression is difficult unless a state is willing to engage in full state funding or to institute a high level foundation program under uniform effort. It is especially difficult under power equalization because DPE allows any range of tax rates and budgets per pupil. Once the tax base has been brought to full compliance with assessment ratios, there is little more that can be done to flatten tax rates unless "power" is taken away. Under ideal assessment practices, some natural regression to the mean would occur over time, which would give the appearance of equal tax rates. The other choice is massive consolidation.

* To compress tax rates in Kansas short of drastic measures is difficult. The simplest manner would be to move to a standard RLE after reappraisal is sorted out. The problem is that budgets per pupil would have to be standardized. As long as the state stays with a free-floating DPE formula and avoids consolidation, variability in tax rate is a reality.

TABLE 13
TAX LEVY RESTRAINTS

ALABAMA	RLE of 10 mills. More than 12.5 mills requires constitutional amendment, legislative approval and local vote.
ALASKA	No RLE and no restraint.
ARIZONA	Qualifying tax range is 23.6 mills (K-8 and 9-12) and 47.2 mills (K-12). GNP price deflator is applied as restraint.
ARKANSAS	RLE 19 mills real property and 45 mills personal property. No other levy restraint.
CALIF.	RLE is prorata share of a countywide 1% property tax. Tax levies constitutionally limited to 1% of fair market value and tax rate adjusted down accordingly.
COLORADO	No RLE and no other restraint.
CONN.	No RLE and no other restraint.
DELAWARE	No RLE. Voter approval and no other restraint.
FLORIDA	RLE is equalized with FY 88 using 5.158 mills as state average. Discretionary millage=.819 operations and 1.5 capital outlay only.
GEORGIA	RLE 5 mills with 3 mill leeway. No other restraint.
HAWAII	RLE not applicable. Constitution limits state spending to economic growth in personal income.
IDAHO	No RLE. Growth factor not to exceed 5%.
ILLINOIS	No RLE. Truth-in-Taxation requires notification when levy exceeds 5% over prior year.
INDIANA	Restrictions apply only to districts not exerting sufficient effort.
IOWA	RLE of 20 mills. Maximum BPP increases stated in law.
KANSAS	No RLE. Budget lids tied to median BPPs.
KENTUCKY	Full foundation. Revenues limited to prior year.
LOUISIANA	RLE of 5.5 mills and no other restraints.
MAINE	RLE of 9.13 mills and no other restraints.

MARYLAND	RLE annually determined as percentage of property valuation and taxable income. No other restraints.
MASS.	Proposition 2-1/2 limits property taxes to .5% of market value.
MICHIGAN	Proposition E requires tax rollback if revenues exceed CPI inflation rate.
MINNESOTA	No RLE. Lid on property tax mills.
MISS.	No RLE and no other restraints.
MISSOURI	RLE is 15.3 mills plus any earmarked funds. Tax rate rollback if AV increases faster than CPI.
MONTANA	RLE 28 mills (elementary districts) and 17 mills (HS). Maximum nonvoted budget 125% of foundation.
NEBRASKA	RLE of $.28 or $.42 per $100 depending on class of district and no other restraints.
NEVADA	RLE is yield of $.015 sales tax plus 2.5 mills and no other restraints.
N. HAMP.	RLE of 8% and no other restraints.
N. JERSEY	Lids applied to upper and lower expenditure districts.
N. MEXICO	No other restraints.
NEW YORK	No other restraints.
N. CAR.	No RLE and no other restraints.
N. DAKOTA	RLE is 20 mills and no other restraints.
OHIO	RLE is 20 mills, modified by tax reduction factor.
OKLAHOMA	RLE is 15 mills and no other restraints.
OREGON	RLE varies by approved program costs and limited by percentage and/or CPI.
PA.	Limited by maximum percent annual increase.
R. ISLAND	No other restraints.
S. CAR.	No other restraints.
S. DAKOTA	No other restraints.
TENNESSEE	RLE is 7.5% of total cost and no other restraints.

TEXAS	No RLE. Levies exceeding 3% increase are subject to vote and rollback if in excess of 8%.
UTAH	RLE is 21.28 mills and no other restraints.
VERMONT	RLE is $1.27 times 1% of fair market value and no other restrictions.
VIRGINIA	RLE floats with ability index and no other restrictions.
WASH.	No RLE. Limited to 20% increase over prior year.
W. VA.	RLE is 4.5 mills on residence and farm; 9 mills other. No RLE. Limited to 20% of difference between current and prior year.
WISCONSIN	No other restraints.
WYOMING	RLE is 25 mills. Limited to optional 3 mills.

QUESTION #8
WHAT FINALLY SHOULD BE DONE?

* Several considerations cited herein could be useful to the Committee. They deal specifically with weaknesses in the SDEA and making changes in the formula to build an adequate and equitable support base for equal opportunity.

<u>WEAKNESSES</u>

* Despite a general trend toward equity, movement is moderate because the link between budgets and wealth is still significant.
* Only Category IV has moved against the equity trend.
* Enrollment categories do not seem to serve any purpose other than an efficiency benefit.
* Skewness in the fourth enrollment category median and mean wealth and budgets suggest underfunding and that the median may not be the best measure.
* Since there are no significant cost differences between some enrollment categories, the statutory division appears to work to an arbitrary disadvantage.
* Finally, where adjusted valuation accounts for up to 36% of variation in budgets, the inverse relationship of wealth and aid does not provide a uniform or rational relationship between the Kansas School District Equalization Act and equal educational opportunity.

<u>FINE-TUNING</u>

* Undergird the SDEA with a fully funded lighthouse foundation

--Require a uniform local tax rate or statewide property tax to fund the foundation.

--Define wealth as equal parts income and property, where local ability is the ratio of a district's wealth to statewide mean wealth likewise defined. The formula would then calculate as AID= DISTRICT'S WEALTH RATIO x GUARANTEED BPP x ATTENDANCE as weighted below.

--Build a cost index or weightings which recognizes all cost variables such as size, isolation, density/sparcity, and socioeconomic variables. The latter could be an index weighted by a measure of need (e.g., district's ratio of AFDC, Chapter 1, free lunch, or achievement tests to the statewide total).

--Finally, allow DPE above the foundation where equalized yield maintains the state ratio based on local wealth index.

A FULLY FUNDED FOUNDATION, UNDER UNIFORM EFFORT, WITH LOCAL POWER OPTIONS WITH STATE RATIO MAINTAINED, TIED TO A PRICE INDEX.